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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 000377

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TAGS: [ECON](#) [PGOV](#) [ETRD](#) [EAGR](#) [PREL](#) [CVIS](#) [KIPR](#) [TW](#)
SUBJECT: THE DIRECTOR'S MARCH 31 MEETING WITH PREMIER LIU
CHAO-SHIUAN

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Classified By: Stephen M. Young, AIT Director, for reasons 1.4 (b) and (d).

11. (C) SUMMARY. In a March 31 meeting with the Director, Premier Liu Chao-shiuan said opening Taiwan's market to the full range of U.S. beef imports is only a matter of timing. He predicted the opening could take place as early as May or early June. The Premier saw no obstacles to Legislative Yuan (LY) approval of Taiwan's accession to the WTO Government Procurement Agreement (GPA), and said draft Internet Service Provider (ISP) legislation is a priority bill for the administration. The Director urged rapid progress on resolving pork market access problems, filling Taiwan's WTO rice quota, and establishing maximum residue levels (MRLs) for common food additives. He stressed the importance of avoiding protectionism, including in the implementation of Taiwan's new public infrastructure projects. The Premier reiterated Taiwan's interest in participating in the Visa Waiver Program (VWP). He also provided an update on plans to consolidate local government jurisdictions, and noted that Taichung is likely to be the first of Taiwan's three major cities to merge with its surrounding county. END SUMMARY.

Participants

12. (SBU) The meeting took place at the Executive Yuan (EY) Office of the Premier. The Director was accompanied by economic chief (notetaker) and acting political chief. Premier Liu Chao-shiuan was joined by Deputy Minister of Foreign Affairs for Administration Javier Hou, MFA Department of North American Affairs Director General Harry Tseng, MFA Staff Assistant Jiang Xen, EY Second Section Chief Lee Tien-ming, EY Fifth Section Chief Hsia Zheng-zhong, and EY Second Section Staff Assistant Chang Hong-jun.

Cabinet relations with the legislature

13. (C) The Premier complained that the Cabinet has to spend a great deal of time explaining and defending administration policy to the Legislative Yuan (LY), and must often sit and wait while the LY conducts internal business. He noted with relief that he will not have to return to the LY until September, after the current session ends later this spring. According to Liu, all but a few members of the KMT majority are generally supportive of the Cabinet. In contrast, the opposition DPP is often "very reactive," although such behavior is "understandable" given their small number of seats.

Economic Cooperation Framework Agreement with the PRC

14. (C) According to Liu, DPP criticism of administration plans to negotiate an Economic Cooperation Framework Agreement (ECFA) with the PRC has been helpful in spurring the Cabinet to "work harder" in explaining the policy to the public. The Director reiterated U.S. support for Taiwan's efforts to improve relations with China and enhance its international space. The Obama administration is committed to continuing longstanding U.S. policy toward Taiwan, he stated. The Premier replied that the Ma administration has set the direction of its cross-Straits policy, but must "very carefully" calibrate the pace of its implementation. He expressed appreciation for ongoing U.S. support of Taiwan.

GPA accession and ISP bills

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15. (C) In response to the Director's question, Liu said he could not see any obstacles to LY approval of Taiwan's accession to the WTO Government Procurement Agreement (GPA). The Director urged prompt LY action on draft Internet Service Provider (ISP) legislation, which the Premier said is a "priority" bill for the administration.

Beef, pork, rice, and MRLs

16. (C) Referring to his late February meetings in Washington with U.S. economic and trade officials, the Director emphasized the importance of rapid Taiwan action on opening its market to the full range of U.S. beef imports. He noted that Taiwan published its beef risk assessment report over two months ago, with virtually no negative reaction from the public so far. The Premier agreed that the report has elicited "very little" unfavorable comment. Liu said he sees "no problem" for beef market opening, and it is "just a matter of the best timing" to announce that Taiwan will allow all U.S. beef imports. Liu said such an announcement could "hopefully" be made in May or early June.

17. (C) In addition to beef, the Director stressed U.S. interest in resolving pending market access problems related to pork and the fulfillment of Taiwan's WTO rice quota. The underlying problem remains Taiwan's lack of progress in establishing internationally-consistent maximum residue levels (MRLs) for a large number of food additives. The Director observed that resolving outstanding agricultural market access problems will contribute to an environment conducive to expanding the overall bilateral trade agenda, including eventual progress on bilateral investment and other agreements.

Public infrastructure and protectionism

18. (C) The Premier explained that the Ma administration's "I-Taiwan" (a play on "Ai", or "Love" Taiwan) twelve major public infrastructure projects would help reduce unemployment and stimulate economic development. He described reducing Taiwan's record-high 5.75% jobless rate as the administration's top priority. Liu said some spending for the "I-Taiwan" projects is included in the regular budget already passed by the LY, and that additional funding would be part of the supplemental budget slated to be approved by the legislature on April 10. He clarified that work on all twelve projects will begin simultaneously, in part to boost public confidence that the administration is serious about tackling the economic downturn.

19. (C) The Director emphasized the importance of facilitating free trade and avoiding protectionism, including in the implementation of public works and other official stimulus measures. He drew the Premier's attention to a March 26 letter from the president of AmCham regarding troubling indications that some official agencies appear to be pursuing "Buy Taiwan" initiatives. The Premier was familiar with the letter, and said free trade is a core economic value for Taiwan. "We will do our best to fight against protectionism," he stated.

Visa Waiver Program

110. (C) The Premier expressed hope that Taiwan could participate in the Visa Waiver Program (VWP) as quickly as

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possible. The Director replied that Taiwan must make additional progress in meeting VWP criteria, including a lower visa refusal rate and improved procedures for issuing passports. At the same time, other potential VWP participants are further along the route to qualification for the program. Taiwan's VWP participation is a future possibility, said the Director, but the process will take time. The Director added that a bilateral extradition agreement is a more near-term prospect, and the issue is now being looked at by State Department legal experts. The Premier observed that VWP participation would further enhance the people-to-people ties that have long been a main pillar of the bilateral relationship.

Local government consolidation

111. (C) In response to the Director's question, the Premier confirmed the administration's plan to consolidate Taiwan's local government jurisdictions into three municipalities (Taipei, Kaohsiung, and Taichung) and fifteen counties. Achieving this plan would require merging Taipei, Kaohsiung, and Taichung with their surrounding counties and raising the status of Taichung from city to municipality. According to the Premier, Taichung county and city are closest to achieving this consolidation. The LY must now amend existing laws to form the legal basis for consolidation. The Premier said the bill would need to be approved by the end of April for the Taichung merger to take place before the December 2009 local elections. If the merger is approved in time, the incumbent mayor and magistrate would have their terms extended for a one-year transition period, he added, and a new municipality chief would be elected in December 2010. The Premier, who said he is hopeful the Taichung merger can move ahead, declined to offer a timeline for when Taipei and Kaohsiung would effect similar consolidations. (Comment: Other contacts have told us they are unsure if the Taichung merger will take place during this election cycle.)

DRAM restructuring

¶12. (C) The Premier appeared unfamiliar with the current status of administration plans to restructure Taiwan's DRAM sector. He implied that announcement of the new Taiwan Memory Company's (TMC) choice of foreign partner originally scheduled for that day would in fact take place on April 1, and might simply be a "progress report" rather than a final decision on whether Japan's Elpida or Micron of the U.S. would be chosen to work with TMC. Liu said creating a strong competitor for South Korea's Samsung is the major goal of the restructuring program. The administration, he added, is also concerned about DRAM companies' outstanding debt to state-owned banks. The Director expressed appreciation for the administration's attention to Micron's efforts to be chosen as TMC's partner. (Note: On April 1, TMC announced that it will choose both Elpida and Micron as partners. Negotiations with Elpida are apparently more advanced than those with Micron. See septel for details.)

¶13. (C) COMMENT. We've had false dawns on the beef issue in the past. Nevertheless, the Premier's words (in conjunction with what we've heard from others recently) were encouraging, and we'll continue to press the administration for prompt action on market opening. END COMMENT.
YOUNG